

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

**APPLICANT:** BUCHANAN PRODUCTION COMPANY ) VIRGINIA GAS  
 ) AND OIL BOARD  
 )

**RELIEF SOUGHT:** AUTHORIZATION TO COMBINE THE ) DOCKET NO.  
 ALLOWABLE PRODUCTION ) 01-0417-0885  
 ALLOCATED TO A PORTION OF THE )  
 T-16 COALBED METHANE GAS )  
 DRILLING UNIT AND TO ALL OF THE )  
 R-18 COALBED METHANE GAS )  
 DRILLING UNIT, BOTH OF WHICH )  
 ARE IDENTIFIED IN THE OAKWOOD )  
 FIELD RULES GRID AND ARE )  
 LOCATED IN THE BEATRICE COALBED )  
 METHANE SEALED GOB GAS FIELD )  
 SHOWN ON THE PARTIAL MINE MAP )  
 ANNEXED HERETO AS EXHIBIT A1 )  
 (herein "Beatrice Field") )  
 )

**LEGAL DESCRIPTIONS:** (herein "Subject Lands"):  
 A PORTION OF DRILLING UNIT T-16 AND ALL OF )  
 DRILLING UNIT UNIT R-18 LOCATED IN THE VANSANT )  
 QUADRANGLE, SOUTH GRUNDY/HURRICANE DISTRICT, )  
 BUCHANAN COUNTY, VA. AS DEPICTED ON THE PLATS )  
 THEREOF ATTACHED HERETO AS EXHIBITS A AND B )  
 RESPECTIVELY (herein sometimes Collectively referred to as )  
 "Combined Units") )

**REPORT OF THE BOARD****FINDINGS AND ORDER**

1. Hearing Date and Place: This matter came on for final hearing before the Virginia Gas and Oil Board (hereinafter "Board") at 9:00 A.M. on April 17, 2001, at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.
2. Appearances: Mark Swartz of the firm Swartz and Stump, L.C. appeared in behalf of the Applicant; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 et. seq., and more particularly Va. Code § 45.1-361.20, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by the Applicant, the Board also finds that the Applicant has: (1) exercised due diligence in conducting an update of its search of the reasonably available sources to determine the identity and whereabouts of all gas or oil owners, coal owners, mineral owners and/or potential owners, i.e., persons identified by Applicant as having ("Owner") or claiming ("Claimant") the rights to coalbed methane gas in all coal seams below the Tiller (herein "Subject Formation") in Subject Drilling Units underlying and comprised of Subject Lands; and (2) has given notice to all such parties, herein sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) who are those persons entitled by Va. Code §§ 45.1-361.19 and 45.1-361.22 to notice of the application filed herein. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.1-361.19.B. Whereupon, the board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.
4. Amendments: None.
5. Dismissals: None.
6. Relief Requested: Applicant seeks this order of the Board to: (1) combine the allowable production of coalbed methane gas from the Beatrice Field heretofore allocated by the Board to Drilling Unit T-16 with the allowable production of coalbed methane gas from the Beatrice Field heretofore allocated by the Board to Drilling Unit R-18 (herein the T-16 and R-18 Beatrice Sealed Gob Field Drilling Units are referred to as "Combined Units"); (2) to establish a combined allowable production of 452.55 MMCF for the production of sealed gob gas from the Combined Units (herein "Combined Allowable Production"); (3) to provide that all of the Combined Allowable Production is to be produced from CBM Well T16-29 (Permit No. 3631) (herein "Well"); (4) to authorize the Unit Operator to allocate the first 102.55 MMCF of Combined Allowable Production produced from the Well after January 26, 1995 to the T-16 Drilling Unit, and thereafter, the remaining 350 MMCF of Combined Allowable Production produced from the Well after January 26, 1995 to the R-18 Drilling Unit.
7. Relief Granted: The Applicants requested relief in this cause, as more particularly set forth and described in Paragraph 6 above, be and hereby is granted:
8. Special Findings:
  - a. The Oakwood I Field Rules established by OGCB Order 3-90, as modified, ("Oakwood I Field Rules") contemplate and make provisions for the production



of coalbed methane gas from frac wells drilled in advance of mining. The Oakwood II Field Rules established by the Board's Order in VGOB Docket No. 91-1119-0162, as modified, ("Oakwood II Field Rules") contemplate and make provisions for the production of coalbed methane gas produced from short holes, active gob wells and increased density wells during mining. The Beatrice Field Rules established by the Board's Order in VGOB 96-0618-0545 ("Beatrice Field Rules") contemplate and make provisions for the production of coalbed methane gas from the sealed gob areas of the Beatrice Mine.

- b. To the extent that any drilling unit lies within the Beatrice Field, production of coalbed methane gas allocable to such portions of it are subject to the Beatrice Field Rules, rather than the Oakwood I Field Rules or the Oakwood II Field Rules.
- c. The Beatrice Field Rules establish the allowable production allocable to each 80-acre drilling unit contained within the boundaries of said field to be 350 MMCF, and further provide that in the event a unit within the Beatrice Field contains less than 80-acres, then such unit shall be allocated an allowable production determined by multiplying the number of acres in the partial unit times 350 MMCF and dividing the result by eighty (80).
- d. The Beatrice Field Rules further provide that a Unit Operator may produce in excess of the established allowable production for a drilling unit only if, upon application to the Board, the Board authorizes the combining of two or more contiguous and/or noncontiguous drilling units within the Beatrice Field into a single drilling unit for purposes of calculating their combined allowable production and assigns the allowable production of each of the combined units to said well, provided, however, that the unit operator demonstrates: (1) that the requested relief is necessary to avoid the drilling of unnecessary wells, (2) the applicant has acquired through voluntary agreements or by Board action pursuant to Va. Code § 45.1-361.21 and 45.1-361.22 the right to conduct operation on all of the acreage within the units to be combined; and that the proposal is not an unreasonable or arbitrary exercise of applicant's right to explore for or produce Gas.
- e. With respect to the application to: (1) combine the allowable production allocable by the Beatrice Field Rules to a portion of Unit T-16 and all of Unit R-18; and (2) permit the Unit Operator to produce from CBM Well CBM T16-29 a combined allowable production of 452.55 MMCF, the Board finds:
  - (1) That portion of Unit T-16 lying within the Beatrice Field consists of 23.44 acres, and pursuant to the Beatrice Field Rules, said portion of the T-16 Unit has been allocated an allowable production of 102.55 MMCF. Unit R-18 consists of 80 acres, all of which lies entirely within the Beatrice Field, and pursuant to the Beatrice Field Rules, said unit has been allocated an allowable production of 350 MMCF. Together, that portion of the T-16 unit lying in the

Beatrice Field and Unit R-18 are entitled to a combined allowable production 452.55 MMCF of sealed gob gas.

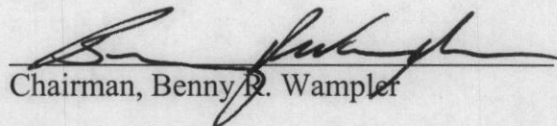
- (2) With respect to the T-16 Drilling Unit, the Board has heretofore taken the following actions pursuant to Va. Code §§ 45.1-361.21 and 45.1-361.22:
- (a) By order entered in VGOB Docket 92-1117-0283 on January 29, 1993 and filed on February 5, 1993 with the Clerk of the Circuit Court of Buchanan County in Deed Book 404 at Page 112, the Board pooled all the rights, title and interests in the 80-acre T-16 drilling unit for the production of gas from the Oakwood Coalbed Methane Gas Field II (herein "Original Oakwood II Pooling Order"). Pursuant to the terms of this order unless the Unit Operator commenced the drilling of the well within said unit with 365 days from date of the order, the order would terminate.
  - (b) By order entered in VGOB Docket 92-1215-0304 on February 12, 1993 and filed on February 24, 1993 with the Clerk of the Circuit Court of Buchanan County in Deed Book 405 at Page 103, the Board amended the Original Oakwood II Pooling Order (herein "Modified Oakwood II Pooling Order"), and by Supplemental Order entered July 21, 1993 and filed July 29, 1993 with the Clerk of the Circuit Court of Buchanan County, VA at Deed Book 412, Page 141 the Original Oakwood II Pooling Order and the Modified Oakwood II Pooling Order were further amended and supplemented. Like the Original Oakwood II Pooling Order, the Modified Oakwood II Pooling Order provided that unless the Unit Operator commenced the drilling of the well within the T-16 unit within 365 days from the date of the order, the order would terminate.
  - (c) The Unit Operator did not commence the drilling of the well within the T-16 drilling unit with 365 days from the date of the entry of the Original Oakwood II Pooling Order or from the date of the Modified Oakwood II Pooling Order, and said orders terminated pursuant to their own terms.
  - (d) By order entered in VGOB Docket No. 94-1024-0476 on November 28, 1994 and filed on December 13, 1994 with the Clerk of the Circuit Court of Buchanan County in Deed Book 430, Page 547, the Board entered its order again pooling all the rights, title and interests in the T-16 Drilling Unit for the production of gas from the Oakwood Coalbed Methane Gas Field II, which order was supplemented by order entered April 18, 1995 and filed with the Clerk of the Circuit Court of Buchanan County, VA on April 26, 1995 in Deed Book 435, Page 284 (herein collectively the "Oakwood II Pooling Order"). The Beatrice Field Rules became effective January 26, 1995, and thereafter the allocation of production from that portion of the T-16 drilling unit located within said sealed gob field were no longer subject to the Oakwood Coalbed Methane Gas Field II Rules,



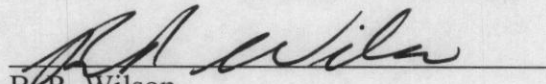
but rather as of that date became subject to the method of allocation set forth in the Beatrice Field Rules.

- (3) Unit R-18 is being operated by the Unit Operator as a voluntary drilling unit; therefore, no prior Board orders have been entered pursuant to Va. Code §§ 45.1-361.21 and 45.1-361.22 that pooled interests pursuant to either the Oakwood Coalbed Methane Gas Field I, Oakwood Coalbed Methane Gas Field II, or the Beatrice Field Rules. By virtue of voluntary lease agreements between the Applicant and all the Owners/Claimants in and to coalbed methane gas within the R-18 Unit, Applicant represents that it has acquired the right to produce coalbed methane gas, including sealed gob gas, from all tracts that lie within said unit.
- (4) As shown on the Plat of the T-16 Unit attached hereto as Exhibit A, the Unit Operator has drilled two wells in the T-16 Drilling Unit, the CBM T16-29 Well and the CBM T-16A Well. The T16-29 Well is located in that portion of the T-16 unit lying within the Beatrice Field. As shown on the Plat of the R-18 Drilling Unit attached hereto as Exhibit B, no wells have been drilled in said unit.
- f. The relief requested will avoid the drilling of additional unnecessary wells and the construction and maintenance of additional surface facilities to gather the gas from such additional wells, thereby totally avoiding additional unnecessary surface disturbance.
- g. The requested relief is not an unreasonable or arbitrary exercise of Applicant's rights.
9. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.
10. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 15<sup>th</sup> day of April, 2002, by a majority of the Virginia Gas and Oil Board.

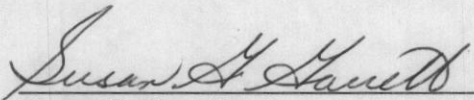
  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 18<sup>th</sup> day of April, 2002, by Order of this Board.

  
B. R. Wilson  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA       )  
COUNTY OF WISE        )

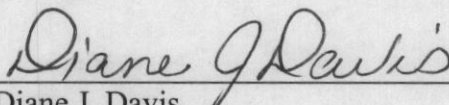
Acknowledged on this 15<sup>th</sup> day of April, 2002, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

  
Susan G. Garrett  
Notary Public

My commission expires July 31, 2002

STATE OF VIRGINIA       )  
COUNTY OF WASHINGTON    )

Acknowledged on this 18<sup>th</sup> day of April, 2002, personally before me a notary public in and for the Commonwealth of Virginia appeared B. R. Wilson, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

  
Diane J. Davis  
Notary Public

My Commission expires September 30, 2005

**Order Recorded Under Code of  
Virginia Section 45.1-361.26**



PROPERTY LINES SHOWN WERE TAKEN FROM MAPS  
PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED

545 PAGE 199

BEATRICE

N 331,962.56  
E 972,327.74

N 331,892.09  
E 974,192.70

80 ACRE UNIT

1

CBM-T16-29

3

2

5

4B

4A

N 330,093.46  
E 972,257.74

CBM-T16A

N 330,022.93  
E 974,122.86

EXHIBIT A  
OAKWOOD FIELD UNIT T-16  
FORCE POOLING  
VGOB-01-0417-0885

Company CONSOL Energy Inc. Well Name and Number UNIT T16  
Tract No. \_\_\_\_\_ Elevation \_\_\_\_\_ Quadrangle Vansant  
County Buchanan District Hurricane Scale: 1" = 400' Date 3/13/01  
This plat is a new plat X ; an updated plat \_\_\_\_\_ ; or a final plat \_\_\_\_\_

Form DGD-GO-7  
Rev. 9/91

*Claude J. Morgan*  
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)

**CONSOL Energy Inc.**  
**BEATRICE MINE AREA**  
**UNIT T-16**  
**Tract Identifications**

BOOK 545 PAGE 200

1. Big Axe Tract 44 - Coal  
Wayles R. Harrison & Landon R. Wyatt, Jr., Trustees  
Island Creek Coal Company - Coal Lessee  
Beatrice Pocahontas Company  
Jewell Smokeless Coal Corporation  
Buchanan Production Company - CBM Lessee  
Jerry Raines - Surface, Oil & Gas  
3.63 acres                      15.4863%
2. Big Axe Tract 19 - Coal  
Wayles R. Harrison & Landon R. Wyatt, Jr., Trustees  
Island Creek Coal Company - Coal Lessee  
Beatrice Pocahontas Company  
Jewell Smokeless Coal Corporation  
Buchanan Production Company - CBM Lessee  
Jerry Raines - Surface, Oil & Gas  
10.78 acres                      45.9898%
3. Big Axe Tract 19 - Coal  
Wayles R. Harrison & Landon R. Wyatt, Jr., Trustees  
Island Creek Coal Company - Coal Lessee  
Beatrice Pocahontas Company  
Jewell Smokeless Coal Corporation  
Buchanan Production Company - CBM Lessee  
Jesse Childress Heirs, et al. - Surface, Oil & Gas  
4.59 acres                      19.5819%
4. Big Axe Tract 20 - Coal, Oil & Gas  
Wayles R. Harrison & Landon R. Wyatt, Jr., Trustees  
Island Creek Coal Company - Coal Lessee  
Beatrice Pocahontas Company  
Jewell Smokeless Coal Corporation  
Buchanan Production Company - Oil & Gas Lessee  
Buchanan Production Company - CBM Lessee  
0.43 acres                      1.8345%
- 4A. Jessie G. Childress Heirs, et al. - Surface  
4B. Bill Ratliff - Surface  
4C. Donald Ratliff -Surface  
4D. Stella Marie Hess -Surface
5. Big Axe Tract 19 - Coal  
Wayles R. Harrison & Landon R. Wyatt, Jr., Trustees  
Island Creek Coal Company - Coal Lessee  
Beatrice Pocahontas Company  
Jewell Smokeless Coal Corporation  
Buchanan Production Company - CBM Lessee  
W.H. Reedy Heirs, et al.- Surface, Oil & Gas  
4.01 acres                      17.1075%



PROPERTY LINES SHOWN WERE TAKEN FROM MAPS  
PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED.

BOOK 545 PAGE 201

N 335.559.60  
E 976.198.47

N 335.489.24  
E 978.064.07

80 ACRE UNIT

2

1

VVH-82

N 333.691.13  
E 976.128.78

N 333.620.70  
E 977.994.47

Keen  
Com

EXHIBIT A  
OAKWOOD FIELD UNIT R-18  
FORCE POOLING  
VGOB-01-0417-0885

Company Consol Energy Inc. Well Name and Number UNIT R18  
Tract No. \_\_\_\_\_ Elevation \_\_\_\_\_ Quadrangle Vansant  
County Buchanan District South Grundy Scale: 1" = 400' Date 3/13/01  
This plat is a new plat X ; an updated plat \_\_\_\_\_ ; or a final plat \_\_\_\_\_

Form DGO-GO-7  
Rev. 9/91

*Charles D. Meyer*  
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)

**CONSOL Energy Inc.**  
**UNIT R-18**  
**Tract Identifications**

1. Yukon Pocahontas Coal Company, et al. - Coal, Oil & Gas  
 Big Vein Tr. 115  
 Island Creek Coal Company - Coal Below Tiller Seam Leased  
 Buchanan Production Company - CBM Leased  
 6.01 acres                      7.5125 %
2. Yukon Pocahontas Coal Company, et al. - Coal, Oil & Gas  
 Big Vein Tr. 3  
 Island Creek Coal Company - Tiller and Below Coal Leased  
 Jewell Smokeless Coal Corporation - Jawbone Coal Leased  
 Buchanan Production Company - CBM Lessee  
 73.99 acres                      92.4875 %

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the Office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 22nd day of April, 20 02 1:16P M.  
 Deed Book No. 545 and Page No. 193.  
 Returned to: James M. Bevens, Jr. TESTE: James M. Bevens, Jr. James M. Bevens, Jr., Clerk  
 TESTE: Deputy Clerk Deputy Clerk